

INTERNATIONAL SHOE CO.

MANUFACTURERS

1301-1305 Washington Avenue

St. Louis, Mo.

FINANCIAL STATEMENT

November 30, 1937

BOARDS

Q 884.53

1937

INTERNATIONAL SHOE Co.

MANUFACTURERS

1501-1509 Washington Avenue

St. Louis, Mo.

FINANCIAL STATEMENT

November 30, 1937

December 31, 1937.

TO OUR STOCKHOLDERS:

Financial report showing the results of the International Shoe Company's operation for the fiscal year ended November 30, 1937, is submitted herewith.

Net sales to customers were \$88,278,810.29 compared with \$84,856,709.55 last year. Exclusive of canvas rubber soled shoes our factories produced 44,480,224 pairs of shoes, against 43,968,507 pairs last year.

Subsidiary plants (sole leather and upper leather tanneries, textile mill, factories making all leather counters, heels and soles, rubber heels and soles, welting, box toes, cartons, containers, chemicals, cements, etc.) produced during 1937 shoe materials and shoe supplies amounting to \$49,114,941.88, which, combined with our sales, made an aggregate of \$137,393,752.17 business transacted.

Net earnings, after taxes, for the year were \$6,266,992.00 which represents an earning of \$1.87 a share on the Common Stock. This compares with \$8,416,926.65 or \$2.51 a share last year.

The Company's current assets of \$61,606,060.00 are 15 times its current liabilities of \$4,014,752.10, which include a reserve for income taxes of \$1,515,000.00. No undistributed profits tax is payable.

At the end of the third quarter of its fiscal year, the Company had an increase in net sales of more than \$7,500,000.00 over the corresponding period of last year, and its net income for the nine months was also above that of the corresponding period in 1936. A drastic reduction in buying by retailers took place in the last three months, during which period, particularly in November, declines in the prices of hides and leather were the greatest in our experience since 1920.

The Company manufactures most of the materials from which its shoes are made and this necessarily calls for fairly large stocks of raw materials. A desire to furnish as steady employment as possible during the past few months has resulted in somewhat larger inventories of both materials and finished shoes than a year ago. These inventories have been valued at market prices on November 30, which are, in most instances, the low of the present decline, and the resulting adjustment from cost to market of total inventories and purchase commitments amounted to \$2,912,112.25, as reflected by the income account.

Despite the advancing markets of the summer, our shoe prices were maintained because of the materials we owned—prices were not raised in keeping with the advances warranted at that time by higher leather and hide prices. The recent decline in raw material prices has operated to prevent substantial advances in shoe prices. Our new prices on spring lines reflect the present market and result in somewhat lower prices which should be quite attractive to our customers.

In the first half of 1937 increased employment and full production gave bright promise for the latter half; but political and economic conditions created so many uncertainties that business experienced a pronounced slump in mid-summer and the latter half of the year recorded innumerable disappointments.

With full consideration of these circumstances, our inventories written down to sound values put us in position to meet the problems of the New Year as they arise without being burdened with those of 1937.

There is probably no single factor in business that is more costly than *uncertainty*. Its retarding influence is felt in the consideration and execution of every problem that arises.

In 1937 industrial life of the United States suffered immeasurably from unwise legislation in taxes, industrial relations, bureaucratic regulations and the unfortunate attitude that our government has shown toward business.

If these factors are eliminated or greatly modified so that industry can operate fairly and sanely under the guidance of its experience and knowledge, 1938 can be a year of sound progress.

Respectfully submitted,

INTERNATIONAL SHOE COMPANY

Frank C. Rand.

Chairman of the Board.

W. H. Moulton.

President.

INTERNATIONAL

CONSOLIDATED

As at November 30, 1925

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand.....	\$ 15,161,214.06	
Accounts Receivable:		
Customers, less Reserve for Cash Dis-		
counts and Doubtful Accounts.....	\$ 13,686,302.05	
Salesmen's Traveling Advances and		
Sundry Accounts.....	106,544.61	13,792,846.66
Inventories at Lower of Cost or Market:		
Manufactured Merchandise.....	12,834,935.98	
Raw Materials, Merchandise in Pro-		
cess, and Supplies.....	19,817,063.30	32,651,999.28
TOTAL CURRENT ASSETS.....		61,606,060.00
Expenses Paid in Advance—Insurance Premiums, Taxes, and		
Other Deferred Charges to Operations.....		453,795.05
Employees Notes Receivable (Under Installment Plans for		
Purchase of Common Stock) Secured by 4,800 Shares of		
Common Stock.....		78,045.43
Company's Own Common Stock—9,700 Shares at Net Cost		
(Market Value, \$315,250.00).....		248,175.51
Investment in Five Per Cent. Debentures and Capital Stock of		
Associated Companies (Debentures \$1,000,000.00)		1,085,000.00
Investment in Stocks and Bonds of Other Companies, Etc.		
(less Reserve).....		132,905.85
Physical Properties at Tanneries, Shoe Factories, Supply De-		
partments, and Sales Branches (Based on Appraisal as of		
April 30, 1925, plus Subsequent Additions at Cost):		
Land and Water Rights.....	\$ 2,034,999.98	
Buildings and Structures.....	22,925,883.05	
Machinery and Equipment.....	17,940,485.04	
Lasts, Patterns, and Dies.....	1.00	
TOTAL.....	42,901,369.07	
Less—Reserve for Depreciation.....	22,880,269.91	
Net Depreciated Value of Physical Properties....		20,021,099.16
TOTAL.....		\$ 83,625,081.00

SHOE COMPANY

BALANCE SHEET

ber 30, 1937

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable for Merchandise, Expenses, and Payrolls.....	\$ 2,408,800.38
Officers, Stockholders, and Employees Balances.....	90,951.72
Reserve for Federal Income Taxes.....	1,515,000.00
TOTAL CURRENT LIABILITIES.....	4,014,752.10
Reserve for Market Decline in Purchase Commitments.....	189,329.27
Insurance Reserves.....	648,527.14

CAPITAL STOCK:

Preferred Stock 6% Cumulative—Author- ized 250,000 Shares of \$100.00 each— Outstanding.....	None
Common Stock — Authorized 4,000,000 Shares without Nominal or Par Value, whereof Issued and Outstanding — 3,350,000 Shares.....	\$ 50,250,000.00
Earned Surplus..... (Of the Earned Surplus \$248,175.51 used for the purchase of Company's Own Capital Stock as per Contra)	28,522,472.49
TOTAL CAPITAL AND SURPLUS.....	\$ 78,772,472.49

TOTAL.....\$ 83,625,081.00

INTERNATIONAL SHOE COMPANY

CONSOLIDATED INCOME ACCOUNT

For the year ended November 30, 1937

Net Sales of Shoes and Other Manufactured Merchandise.....	\$ 88,278,810.29	
Cost of Shoes and Merchandise Sold, after charging Operating Expenses, Maintenance of Physical Properties, Selling, Administrative, and Warehouse Expenses, and Credit Losses, less Discount on Purchases.....	\$ 76,428,072.33	
Depreciation of Physical Properties.....	1,677,679.38	
Provision for Decline from Cost to Market at November 30, 1937 in Inventory Values (\$2,722,782.98) and Purchase Commitments (\$189,329.27).....	2,912,112.25	81,017,863.96
NET OPERATING PROFIT.....		7,260,946.33
Miscellaneous Income.....		133,548.74
NET EARNINGS.....		7,394,495.07
Provision for Income Taxes.....		1,127,503.07
NET INCOME FOR YEAR.....	\$	6,266,992.00

COMMON STOCK CAPITAL

AND CONSOLIDATED SURPLUS ACCOUNT

Common Stock Capital and Surplus, as at November 30, 1936:		
Common Stock Capital (Outstanding 3,350,000 Shares).....	\$ 50,250,000.00	
Earned Surplus.....	28,933,655.49	
		79,183,655.49
Net Income, for the year ended November 30, 1937.....		6,266,992.00
		85,450,647.49
Dividends:		
Common Stock, \$2.00 per Share.....	\$ 6,700,000.00	
Less—Dividends on Company's Own Common Stock.....	21,825.00	6,678,175.00
Common Stock Capital and Surplus, as at November 30, 1937....		78,772,472.49
Divided as follows:		
Common Stock Capital (Outstanding 3,350,000 Shares).....	50,250,000.00	
Earned Surplus.....	28,522,472.49	\$ 78,772,472.49

INTERNATIONAL SHOE COMPANY,
St. Louis, Missouri.

We have made an examination of the Consolidated Balance Sheet of the International Shoe Company and Subsidiary Companies as at November 30, 1937 and of the Consolidated Income and Surplus Accounts for the year ended on that date. In connection therewith, we examined or tested accounting records of the Companies and other supporting evidence and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying Consolidated Balance Sheet and related Consolidated Income and Surplus Accounts fairly present, in accordance with accepted principles of accounting consistently maintained by the Companies during the year under review, their consolidated position at November 30, 1937 and the results of their operations for the year.

St. Louis, Missouri,
December 24, 1937.

PEAT, MARWICK MITCHELL & Co.

OFFICERS

FRANK C. RAND . . .	Chairman of the Board
WILLIAM H. MOULTON . .	President
HORTON WATKINS . . .	Vice-President
JAMES T. PETTUS . . .	Vice-President
PAUL B. JAMISON . . .	Vice-President
OLIVER F. PETERS . . .	Vice-President
C. D. P. HAMILTON . . .	Vice-President
ANDREW W. JOHNSON . .	Vice-President and Treasurer
BYRON A. GRAY . . .	Vice-President and Secretary
WILLIAM N. SITTON . . .	Assistant Treasurer
ALBERT H. JENKINS . . .	Assistant Secretary
ROBERT O. MONNIG . . .	Auditor

DIRECTORS

ROBERT E. BLAKE	H. EUGENE JONES
SAMUEL BOWN	ROBERT L. JORDAN
CLARENCE H. FIELDER	WILLIAM H. MOULTON
ARTHUR B. FLETCHER	OLIVER F. PETERS
BYRON A. GRAY	JAMES T. PETTUS
H. ROY GREEN	JAMES E. QUINN
EDWARD J. HOPKINS	FRANK C. RAND
FRED HUME	JOSEPH O. RAND
LEWIS B. JACKSON	WILLIAM N. SITTON
PAUL B. JAMISON	DICKSON S. STAUFFER
H. EDGAR JENKINS	GRIFFIN WATKINS
ANDREW W. JOHNSON	HORTON WATKINS
J. LEE JOHNSON	

TRANSFER AGENTS

MANUFACTURERS TRUST CO., NEW YORK, N. Y.
MISSISSIPPI VALLEY TRUST CO., ST. LOUIS, MO.

REGISTRARS

GUARANTY TRUST CO., NEW YORK, N. Y.
ST. LOUIS UNION TRUST CO., ST. LOUIS, MO.

SALES BRANCHES

ST. LOUIS

Roberts, Johnson & Rand
Peters
Friedman-Shelby
Continental Shoemakers
Pennant Shoe Co.
Vitality Shoe Co.
Queen Quality Shoe Co.
Dorothy Dodd Shoe Co.
Winthrop Shoe Co.

NEW YORK

Morse & Rogers

BOSTON

Hutchinson-Winch

MANCHESTER, N. H.

Great Northern Shoe Co.
Interstate Shoe Co.

SHOE FACTORIES AND SUBSIDIARY PLANTS

MISSOURI

St. Louis
Hickory St. & Mississippi Ave.
Broadway, Cherokee St. & Lemp Ave.
St. Louis & Jefferson Aves.
Thirteenth & Mullanphy Sts.
Twelfth & North Market Sts.
Jefferson Ave. & Madison St.
3417 Locust St.
Bland
Cape Girardeau
De Soto
Fulton
Hannibal
Seventh & Collier Sts.
S. W. Cor. Maple Ave. & Collier St.
S. E. Cor. Maple Ave. & Collier St.
Hermann
Higginsville
Jackson
Jefferson City
Kirksville
Marshall
Mexico
Perryville
St. Charles
St. Clair
Sikeston
Sullivan
Sweet Springs
Washington
Windsor

ILLINOIS

Anna
Belleville
Chester
Evansville
Flora
Jerseyville
Mt. Vernon
Olney
Quincy
Springfield
Steeleville

NEW HAMPSHIRE

Claremont
Manchester
Nashua
Newport

KENTUCKY

Paducah

ARKANSAS

Malvern

TANNERIES

ILLINOIS

South Wood River

MISSOURI

St. Louis
Thirteenth & Mullanphy Sts.

NEW HAMPSHIRE

Manchester
Merrimack

NORTH CAROLINA

Morganton
North Wilkesboro

PENNSYLVANIA

Philadelphia

